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**FISCAL IMPACT STATEMENT**

**LS 7326**

**BILL NUMBER: SB 501**

**NOTE PREPARED:** Jan 6, 2011

**BILL AMENDED:**

**SUBJECT:** Low Profit Limited Liability Companies.

**FIRST AUTHOR:** Sen. Hershman

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** The bill provides for a restricted form of limited liability company known as a low profit limited liability company for the purpose of receiving certain investments from a private foundation to further religious, charitable, educational, and similar objectives without adverse federal tax consequences to the private foundation. It provides that the name of a low profit limited liability company must contain the words "low profit limited liability company", the abbreviation "L3C.", or the abbreviation "L3C".

**Effective Date:** July 1, 2011.

**Explanation of State Expenditures:** The Secretary of State would incur additional one-time expenses to revise forms, instructions, and computer programs to accept organization documents for L3Cs. The Secretary of State's current level of resources should be sufficient to implement these changes.

**Explanation of State Revenues:** The bill provides for a restricted type of limited liability company in Indiana called a "low profit limited liability company" or "L3C". The L3C, like an LLC, is a for-profit entity, its members have limited liability for the activities and debt of the company, and the L3C is a pass-through entity for income tax purposes. Thus, income generated by an L3C is subject to income tax. While the L3C is a for-profit entity, its primary objective is to further the accomplishment of any of the following: (1) religious, charitable, scientific, literary, or educational purposes; (2) fostering national or international amateur sports competition; or (3) preventing cruelty to children or animals. L3Cs could be established to receive investments from private nonprofit foundations, which investments are intended to achieve the purposes described in (1)-(3) above.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Secretary of State; Department of State Revenue.

**Local Agencies Affected:**

**Information Sources:** Minneapolis Federal Reserve Bank, *The L3C: A New Business Model for Socially Responsible Investing*. November 2009.

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